

BUDGET LETTER

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| SUBJECT: 2021-22 PRICE LETTER | NUMBER: 20-36 |
| REFERENCES: BUDGET LETTERS 20-14 , 20-15 , 20-29 , 20-30 , AND 20-33 GOVERNMENT CODE SECTION 11019.10 | DATE ISSUED: October 20, 2020 |
| | SUPERSEDES: BL 19-28 |

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

Chapter 12 of the 2009-10 Fourth Extraordinary Session adds Section 11019.10 to the Government Code, specifying that "except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies." Therefore, no automatic baseline adjustments to departmental operating budgets for price increases will be made.

Consistent with the 2021-22 Budget Policy ([Budget Letter \[BL\] 20-30](#)) and to improve budget accuracy, transparency, and accountability, each department is expected to adjust its budget to reflect the most realistic assessment of its own expenditures for personal services, staff benefits, and operating expenses and equipment. Departments should use information provided in this BL and knowledge of its own contractual commitments and cost drivers to estimate costs in 2021-22. If the adjusted line item expenses cannot be funded with the total funding allowed, each department must make adjustments to its expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations, including changes in departmental program responsibilities and staffing. Instructions for baseline budget adjustments are provided in [BL 20-15](#) and various employee compensation adjustments in BLs [20-29](#), [20-33](#), and [20-34](#). Departments are responsible for creating effective plans to do this while achieving the department's most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments' planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available by January 2021.

The Price Letter does not cover the price of goods and services included in the Department of General Services' (DGS) annual Price Book and Directory of Services, which is available from the Office of Fiscal Services' [website](#). The Price Book and Directory of Services reflecting the rates for the current year and proposed rates for the budget year will be posted by DGS on its website once available. If you have questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3rd Street, West Sacramento, CA 95605, or call Jacqueline Campion at (916) 376-5133.

/s/Irena Asmundson

Irena Asmundson
Program Budget Manager

Attachment

PRICE LETTER STANDARDS
2021-22

PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

| Account Category (AC) Code | Line-Item Object | 2020-21 | 2021-22 |
|----------------------------------|-----------------------------------|--|---|
| Personal Services | | | |
| 5150500 | OASDI | 6.2% of wages. Ceiling of \$139,500 ^a | 6.2% of wages. Ceiling of \$145,650 ^a |
| 5150450 | Medicare | 1.45% of wages. No ceiling. | 1.45% of wages. No ceiling. |
| 5150350 | Health Benefits-Public Employees | CalPERS average rates will increase by 4.32% on January 1, 2021. | |
| 5150600 | Retirement-Public Employees | 4.366%^b | 4.366%^b |
| | | 2020-21^c | 2021-22^c |
| Operating Expenses | | | |
| 5304700 | Telephone | d, f | f |
| 5306100 | Postage | f | f |
| 5320230 | In-State Travel Per Diem | e | e |
| 5326100 | Electricity | f | f |
| 5326400 | Natural Gas ^g | -2.3% | -0.3% |
| 5326300 | Liquid Petroleum Gas ^g | -29.6% | -1.5% |

^a The tax base for the calendar year 2020 is \$137,700. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$141,900 and \$144,300 are used for calendar years 2021 and 2022, respectively, for planning purposes. These numbers reflect a fiscal year equivalent of calendar year estimates.

^b This is the average change for all plans. Instructions for this item are provided in Budget Letter 20-29.

^c Percentage change over 2019-20 unless specified otherwise.

^d Budget at current rates.

^e See the In-State Travel Per Diem section.

^f See following text for detail.

^g Prices do not include transportation charges, which are based on mileage. See following text for detail.

PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

| Account Category (AC) Code | Line-Item Object | 2020-21 | 2021-22 |
|----------------------------------|---|---------|---------|
| 5340310 | Attorney General Services | f | f |
| 5344000 | Data Center Services | f | f |
| 5390150 | Clothing and Personal Supplies ^f | -2.8% | -3.4% |
| 5340290 | Medical Care ^f | 3.4% | 7.0% |
| 5390250 | Foodstuffs ^f | 2.0% | 4.6% |

| AC Code | Line-Item Object | 2020-21 ¹ | 2021-22 ¹ |
|---|---------------------------|----------------------|----------------------|
| | Operating Expenses | | |
| 5390350 | Laundry ^g | | |
| | Personal Clothing | \$0.52/lb. | f |
| | Special Handling | \$0.572/lb. | f |
| | Healthcare Laundry | \$0.6/lb | |
| California Consumer Price Index - All Urban Consumers | | 1.1% | 4.8% |

OPERATING EXPENSES

TELEPHONE

The California Department of Technology provides a full range of telecommunications services at competitive rates through its CALNET Next Gen Master Service Agreement. Product descriptions and pricing information are available on the CALNET 3 [website](#).

POSTAGE

The latest postal rates, which went into effect on January 26, 2020, are available at most post office branches, as well as the United States Postal Service [website](#).

Current major postage rates, effective since January 26, 2020, are as follows:

| | |
|---------------------|----------|
| First-Class letter: | |
| 1 oz. | 55 cents |

¹Percentage change over 2019-20, unless specified otherwise.

^f See following text for detail.

^g Prices do not include transportation charges, which are based on mileage. See following text for detail.

First-Class letter:

| | |
|---|----------|
| Postcard | 35 cents |
| Priority Mail (Flat Rate Envelope): | \$7.75 |
| Priority Mail Express (Flat Rate Envelope): | \$26.35 |

IN-STATE TRAVEL PER DIEM

For 2020-21 and 2021-22, the reimbursement for lodging, meals and incidentals, and mileage for Rank and File and all non-represented employees should be budgeted as follows:

Short Term Lodging Rate

- **All counties/cities located in California** (except noted below):
Actual lodging expense, *supported by a receipt*, up to **\$90/night**, plus tax.
- **Napa, Riverside, and Sacramento Counties**
Actual lodging expense, *supported by a receipt*, up to **\$95/night**, plus tax.
- **Marin County**
Actual lodging expense, *supported by a receipt*, up to **\$110/night**, plus tax.
- **Los Angeles, Orange, and Ventura Counties and Edwards AFB**, excluding the city of Santa Monica. Actual lodging expense, *supported by a receipt*, up to **\$120/night**, plus tax.
- **San Diego and Monterey Counties**
Actual lodging expense, *supported by a receipt*, up to **\$125/night**, plus tax.
- **Alameda, San Mateo, and Santa Clara Counties**
Actual lodging expense, *supported by a receipt*, up to **\$140/night**, plus tax.
- **City of Santa Monica**
Actual lodging expense, *supported by a receipt*, up to **\$150/night**, plus tax.
- **San Francisco City and County**
Actual lodging expense, *supported by a receipt*, up to **\$250/night**, plus tax.

Meals and Incidentals

- up to \$7.00 for breakfast
- up to \$11.00 for lunch
- up to \$23.00 for dinner
- up to \$5.00 for incidentals

Mileage

57.5 cents per mile

Actual rates are determined by collective bargaining agreements and may vary by bargaining unit. Departments are advised to use the above rates for budgeting purposes but should also monitor related notifications from the California Department of Human Resources for changes resulting from collective bargaining.

ELECTRICITY

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce its maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to increase over 2019-20 as follows:

| | 2020-21 | 2021-22 |
|---------------------------------------|----------------|----------------|
| Pacific Gas & Electric Company | 3.2% | 7.8% |
| Southern California Edison | 4.5% | 8.7% |
| San Diego Gas and Electric Company | 0.8% | 4.8% |
| Los Angeles Dept. of Water & Power | 2.6% | 5.2% |
| Sacramento Municipal Utility District | 5.4% | 7.2% |

NATURAL GAS

Natural gas should be budgeted for 2020-21 and 2021-22 assuming price decreases of 2.3 percent and 0.3 percent, respectively, below 2019-20 actual prices. Prices for 2019-20 decreased by 28.0 percent from 2018-19 prices, while 2018-19 prices increased by 35.7 percent from 2017-18 levels.

LIQUID PETROLEUM GAS

Departments are advised to budget liquefied petroleum gas in 2020-21 and 2021-22 assuming a price decrease of 29.6 percent and 1.5 percent from 2019-20 actual prices, respectively. Departments should budget fuel oil at current market rates. Prices for 2019-20 decreased by 27.8 percent from 2018-19 levels, while 2018-19 prices increased by 4.3 percent from 2017-18 levels.

ATTORNEY GENERAL SERVICES

State departments receiving legal services from the Department of Justice are advised to budget \$220 per hour for attorney services, \$205 per hour for paralegal services, and \$195 per hour for analyst services (auditor and research analyst) for 2020-21. If rate changes are needed for future fiscal years, departments will be notified of the change in a subsequent BL.

CALIFORNIA DEPARTMENT OF TECHNOLOGY

The California Department of Technology billing rate schedule can be found on the department's [website](#).

In addition, the Rates and Cost Recovery Branch personnel are available to assist with cost estimates associated with Department of Technology services. For more information, departments may contact Rates and Cost Recovery at (916) 431-3617 or ciobilling@state.ca.gov. Please note: Departments that have significant changes in the utilization of Department of Technology services need to submit budget change proposals to address its needs.

As a result of Chapter 404, Statutes of 2010 (AB 2408), which became effective January 1, 2011, the Department of Technology no longer requires an executed Inter-Agency Agreement (IAA) from state entities to process the direct transfer payment for services rendered. All other invoicing processes will remain the same. Electronic invoices through CalTABS will be published online 10 business days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business days following the release of the invoices.

SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so. For additional information regarding IAAs, departments may contact the IAA Processing Analyst at (916) 431-5089, or by email at iaaprocessinganalyst@state.ca.gov.

CLOTHING AND PERSONAL SUPPLIES

Clothing and personal supplies should be budgeted for 2020-21 and 2021-22 at 2.8 percent below and 3.4 percent below 2019-20 actual expenditures, respectively.

MEDICAL CARE

Departments should budget contract items at current prices. Budget the remaining items for 2020-21 and 2021-22 at 3.4 percent and 7.0 percent, respectively, above 2019-20 actual expenditures.

FOODSTUFFS

Budget feeding costs for 2020-21 and 2021-22 at 2.0 percent and 4.6 percent, respectively, above 2019-20 actual expenditures.

LAUNDRY

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

| Service | 2020-21 |
|--------------------|----------------|
| Personal Clothing | \$0.520/lb. |
| Special Handling | \$0.572/lb. |
| Healthcare Laundry | \$0.600/lb |

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: \$4.75 per mile (applies to round trip mileage).

Stop fees: \$55 for each pick-up point.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2021-22 available.

CONSUMER PRICE INFLATION

The Economic Research Unit of the Department of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May and January. The most current California CPI-U forecast predicts that overall consumer prices will rise by 1.1 percent and 4.8 percent in 2020-21 and 2021-22, respectively, over 2019-20. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the US state and local government implicit deflator may be used. This index is estimated to increase by 1.9 percent in 2020-21 and 2.7 percent in 2021-22. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

POPULATION

California's total population on July 1, 2020, is projected at 39,816,789—an increase of 57,591 over the number residing in the state on the same date last year. The civilian population on July 1, 2020—the essential figure for most budget computations—is projected to reach 39,650,670. Current projections for mid-year 2021 anticipate a growth rate of 0.5 percent for the civilian population. The total population as of July 1, 2021, is expected to be 39,998,859, of which 39,832,740 are civilians. These data are summarized in Table 1.

| Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2015-22 (in thousands, rounded down) | | | | | |
|--|------------------|---------------------|-----------------|----------|--|
| 1-Jul | Total Population | Civilian Population | One Year Change | | |
| | | | Total | Civilian | |
| 2015 | 39,007 | 38,850 | 301 | 312 | |
| 2016 | 39,254 | 39,098 | 247 | 249 | |
| 2017 | 39,488 | 39,327 | 234 | 229 | |
| 2018 | 39,670 | 39,507 | 182 | 180 | |
| 2019 | 39,759 | 39,593 | 89 | 86 | |
| 2020 | 39,817 | 39,651 | 58 | 58 | |
| 2021 | 39,999 | 39,833 | 182 | 182 | |
| 2022 | 40,195 | 40,029 | 196 | 196 | |

Table 2 shows the civilian population for the years 2015-2022 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2010, decennial census and the most recent Department of Finance estimates and projection series.

| Table 2. ESTIMATES OF CALIFORNIA'S CIVILLIAN POPULATION BY AGE (in thousands, totals rounded down) | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Age in Years | 7/1/2015 | 7/1/2016 | 7/1/2017 | 7/1/2018 | 7/1/2019 | 7/1/2020 | 7/1/2021 | 7/1/2022 |
| 0-4 | 2,502 | 2,471 | 2,450 | 2,410 | 2,357 | 2,307 | 2,274 | 2,247 |
| 5-9 | 2,575 | 2,585 | 2,567 | 2,551 | 2,538 | 2,531 | 2,495 | 2,469 |
| 10-14 | 2,521 | 2,533 | 2,564 | 2,587 | 2,591 | 2,579 | 2,591 | 2,576 |
| 15-19 | 2,822 | 2,801 | 2,779 | 2,770 | 2,754 | 2,747 | 2,762 | 2,797 |
| 20-24 | 2,986 | 3,027 | 3,041 | 3,010 | 2,984 | 2,959 | 2,940 | 2,927 |
| 25-29 | 2,584 | 2,579 | 2,609 | 2,670 | 2,715 | 2,752 | 2,794 | 2,808 |
| 30-34 | 2,767 | 2,749 | 2,713 | 2,671 | 2,631 | 2,601 | 2,596 | 2,625 |
| 35-39 | 2,564 | 2,620 | 2,674 | 2,720 | 2,735 | 2,714 | 2,693 | 2,662 |
| 40-44 | 2,518 | 2,469 | 2,455 | 2,457 | 2,470 | 2,501 | 2,553 | 2,605 |
| 45-49 | 2,566 | 2,585 | 2,578 | 2,551 | 2,497 | 2,429 | 2,380 | 2,367 |
| 50-54 | 2,621 | 2,578 | 2,536 | 2,497 | 2,470 | 2,474 | 2,492 | 2,485 |
| 55-59 | 2,489 | 2,517 | 2,530 | 2,538 | 2,538 | 2,502 | 2,459 | 2,419 |
| 60-64 | 2,123 | 2,186 | 2,245 | 2,291 | 2,321 | 2,354 | 2,381 | 2,395 |
| 65+ | 5,211 | 5,399 | 5,586 | 5,784 | 5,992 | 6,200 | 6,422 | 6,646 |
| Total | 38,849 | 39,099 | 39,327 | 39,507 | 39,593 | 39,650 | 39,832 | 40,028 |